

GREAT PRAIRIE AREA EDUCATION AGENCY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

GREAT PRAIRIE AREA EDUCATION AGENCY

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GREAT PRAIRIE AREA EDUCATION AGENCY

OFFICIALS

JUNE 30, 2016

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Directors</u></b>		
Joy Prothero	President	2019
Victoria Stephenson	Vice-President	2017
Himar Hernandez	Member	2019
Lonny Morrow	Member	2017
Matt Greiner	Member	2019
Marge Wilhelm	Member	2019
Joyce Wauters	Member	2019
Melissa Ballard	Member	2017
Margaret Kelly	Member	2017
<b><u>Agency</u></b>		
Dr. Jon Sheldahl	Administrator	Annual Contract
Jennifer Woodley	Board Secretary	Appointed
Dennis Gourley	Chief Financial Officer and Treasurer	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Great Prairie Area Education Agency

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Great Prairie Area Education Agency, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 32 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Great Prairie Area Education Agency's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of Great Prairie Area Education Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Prairie Area Education Agency's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 20, 2017

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## **Management's Discussion and Analysis**

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This section of the Great Prairie Area Education Agency's annual financial report presents its discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2016. The analysis focuses on the Agency's financial performance as a whole.

Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$24,923,442 and other financing sources were \$8,872 in fiscal 2016 while General Fund expenditures were \$25,342,663 and other financing uses were \$206,460. This resulted in a decrease of \$616,809 in the Agency's General Fund balance.
- Media Services saw an increase in fund balance while both Special Education Services and Educational Services fund balances declined.
- The General Fund balance decreased primarily because expenditures exceeded revenues in the Special Education Program.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Great Prairie AEA as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## **REPORTING THE AGENCY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the Agency's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net position and how it has changed. Net position is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating. To assess the Agency's overall health, additional non-financial factors, such as changes in enrollments in the local school districts that the Agency serves and the condition of the Agency's office buildings, need to be considered.

In the Agency-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities:* Most of the Agency's basic services are included here, such as instructional services, media services, special education support, and administration. Property taxes, state aid and federal program grants finance most of these activities.
- *Business-type activities:* The Agency charges fees to help cover the costs of certain services it provides. The Agency's cooperative purchasing program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for the Special Education Instruction and Juvenile Home funds.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the government-wide statements. The Agency's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The Agency currently has one Enterprise Fund, the Cooperative Purchasing Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Great Prairie Area Education Agency's net position at the end of fiscal year 2016 totaled approximately -\$3.3 million compared to approximately -\$3.3 million at the end of fiscal year 2015. The analysis that follows focuses on the net position and changes in net position.

As the table on the next page shows, the agency's combined net position increased \$43,299 or approximately 1.3%. The increase in both the unrestricted net position and total net position occurred primarily due to an increase in expenses and a decrease in revenues (prior year increase was \$1,018,870).



**STATEMENT OF NET POSITION**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2015	2016	2015	2016	2015	2016	2015-2016
Total assets	\$ 12,283.2	\$ 11,742.2	\$ 48.5	\$ 48.5	\$ 12,331.7	\$ 11,790.7	(4.4) %
Deferred outflows of resources	1,841.7	1,898.1	-	-	1,841.7	1,898.1	3.1 %
Total liabilities	13,897.8	15,733.1	1.1	1.1	13,898.9	15,734.2	13.2 %
Deferred inflows of resources	3,592.5	1,229.2	-	-	3,592.5	1,229.2	(65.8) %
Net investment in capital assets	2,887.0	2,951.0	-	-	2,887.0	2,951.0	2.2 %
Restricted	80.1	87.5	-	-	80.1	87.5	9.2 %
Unassigned	(6,332.5)	(6,360.6)	47.4	47.4	(6,285.1)	(6,313.2)	(0.4) %
Total net position	\$ (3,365.4)	\$ (3,322.1)	\$ 47.4	\$ 47.4	\$ (3,318.0)	\$ (3,274.7)	1.3 %

The following analysis details the changes in net position resulting from the Agency's activities.

**STATEMENT OF ACTIVITIES**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2015	2016	2015	2016	2015	2016	2015-2016
Program revenues:							
Charges for services	\$ 1,125.8	\$ 896.0	\$ 3.3	\$ 20.9	\$ 1,129.1	\$ 916.9	(18.8) %
Operating grants and contributions	11,375.8	11,110.1	-	-	11,375.8	11,110.1	(2.3) %
General revenues:							
Property taxes	6,458.7	6,513.5	-	-	6,458.7	6,513.5	0.8 %
State aid	7,046.4	7,159.8	-	-	7,046.4	7,159.8	1.6 %
Total revenues	26,006.7	25,679.4	3.3	20.9	26,010.0	25,700.3	(1.2) %
Expenditures:							
Current:							
Instruction	1,666.1	1,628.3	-	-	1,666.1	1,628.3	(2.3) %
Student support services	17,853.3	18,506.5	-	-	17,853.3	18,506.5	3.7 %
Media services	1,493.9	1,302.8	-	-	1,493.9	1,302.8	(12.8) %
General administration	1,349.7	1,187.6	-	-	1,349.7	1,187.6	(12.0) %
Educational services	1,800.3	2,127.8	-	-	1,800.3	2,127.8	18.2 %
Plant operations and maintenance	456.0	425.8	-	-	456.0	425.8	(6.6) %
Central and other support services	333.5	424.3	-	-	333.5	424.3	27.2 %
Interest on long-term debt	32.9	26.5	-	-	32.9	26.5	(19.5) %
Cooperative purchasing	-	-	3.3	20.9	3.3	20.9	533.3 %
Total expenditures	24,985.7	25,629.6	3.3	20.9	24,989.0	25,650.5	2.6 %
Excess of revenues over expenditures before loss on disposal	1,021.0	49.8	-	-	1,021.0	49.8	(95.1) %
Loss on disposal of assets	(2.1)	(6.5)	-	-	(2.1)	(6.5)	(209.5) %
Change in net position	1,018.9	43.3	-	-	1,018.9	43.3	(95.8) %
Net position - beginning	(4,384.3)	(3,365.4)	-	-	(4,336.9)	(3,318.0)	23.5 %
Net position - ending	\$ (3,365.4)	\$ (3,322.1)	\$ -	\$ -	\$ (3,318.0)	\$ (3,274.7)	1.3 %

### **Governmental Activities**

Revenues for the Agency's governmental activities were \$25,672,934 and expenses were \$25,629,635. Total fund balances increased \$43,299.

### **Business-Type Activities**

Revenues and expenditures of the Agency's business-type activities (the Cooperative Purchasing Fund) increased from \$3,257 in fiscal year 2015 to \$20,871 in fiscal year 2016.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Great Prairie AEA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$3,786,010 or decrease of \$620,810 from the beginning of the year's fund balances of \$4,406,820. The primary reason was a decrease in federal funds and an increase in educational services (prior year increase was \$450,884) in the Special Education Program.

### **Governmental Fund Highlights**

The Agency's General Fund financial position decreased due to a decrease in federal funds and an increase in educational services in the Special Education Program.

### **Proprietary Fund Highlights**

The Co-op Fund net position remained constant at \$47,425 in fiscal 2016. As previously noted, the Agency operates a cooperative purchasing fund for the benefit of the school districts served by the Agency.

## **BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget once to reflect a decrease in revenue and expenditures. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of fiscal 2016, the Agency had invested \$3.35 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, materials lending library, computers and audio-visual equipment. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$463,968. Total accumulated depreciation was \$10,732,118 at June 30, 2016.

Excluding depreciation, the Agency has \$14.1 million in capital assets. Governmental funds account for the entire \$14.1 million.

### **Long-Term Debt**

At June 30, 2016, the Agency had \$11,424,119 in long-term liabilities outstanding, compared to \$9,791,505 at June 30, 2015. The increase was due primarily to an increase to the Agency's share of the net pension liability for the IPERS pension program. More detailed information about the Agency's long-term liabilities is available in Notes 4 and 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could significantly affect its financial health in the future:

- In Fiscal Year 2016, the state legislature continued the \$15 million reduction in state aid to all of the state's area education agencies. Great Prairie Area Education Agency's portion of the \$15 million reduction is \$1,216,463. The state legislature increased the reduction to \$18.75 million for Fiscal Year 2017. Great Prairie Area Education Agency's portion of the increased reduction is \$304,117.
- The Agency's student enrollment projections continue to reflect a decline. State aid funding and flow through property tax funding for the Agency is tied to enrollment.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Gourley, Chief Financial Officer, Great Prairie Area Education Agency, 2814 North Court Street, Ottumwa, Iowa 52501-1163.

## BASIC FINANCIAL STATEMENTS

## GREAT PRAIRIE AREA EDUCATION AGENCY

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 5,854,982	\$ 47,425	\$ 5,902,407
Receivables:			
Accounts	404,418	-	404,418
Due from other governments	1,536,761	1,080	1,537,841
Inventories	110,961	-	110,961
Prepays	187,931	-	187,931
Net OPEB asset	301,162	-	301,162
Capital assets - Net of accumulated depreciation	<u>3,346,007</u>	<u>-</u>	<u>3,346,007</u>
<b>TOTAL ASSETS</b>	<u>11,742,222</u>	<u>48,505</u>	<u>11,790,727</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows	<u>1,898,058</u>	<u>-</u>	<u>1,898,058</u>
<u>LIABILITIES</u>			
Accounts payable	1,092,771	1,080	1,093,851
Salaries and benefits payable	3,208,880	-	3,208,880
Advances from grantors	7,392	-	7,392
Long-term liabilities:			
Portion due or payable within one year:			
Certificates of participation	195,000	-	195,000
Compensated absences	171,987	-	171,987
Portion due or payable after one year:			
Certificates of participation	200,000	-	200,000
Net pension liability	<u>10,857,132</u>	<u>-</u>	<u>10,857,132</u>
<b>TOTAL LIABILITIES</b>	<u>15,733,162</u>	<u>1,080</u>	<u>15,734,242</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows	<u>1,229,217</u>	<u>-</u>	<u>1,229,217</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,951,007	-	2,951,007
Restricted for:			
Encumbrances	20,582	-	20,582
Special education instruction	66,882	-	66,882
Unrestricted	<u>(6,360,570)</u>	<u>47,425</u>	<u>(6,313,145)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (3,322,099)</u>	<u>\$ 47,425</u>	<u>\$ (3,274,674)</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, and Contributions</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Regular instruction	\$ 1,628,291	\$ 895,990	\$ 349,103
Student support services	18,506,539	-	10,199,342
Media services	1,302,839	-	46,704
General administration	1,187,603	-	-
Educational services	2,127,855	-	514,923
Plant operations and maintenance	425,774	-	-
Central and other support services	424,274	-	-
Interest on long-term debt	26,460	-	-
Total governmental activities	<u>25,629,635</u>	<u>895,990</u>	<u>11,110,072</u>
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	<u>20,871</u>	<u>20,871</u>	<u>-</u>
Total	<u>\$ 25,650,506</u>	<u>\$ 916,861</u>	<u>\$ 11,110,072</u>
<u>GENERAL REVENUES:</u>			
Property taxes levied for general purposes			
State foundation aid			
Loss on disposal of capital assets			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ (383,198)	\$ -	\$ (383,198)
(8,307,197)	-	(8,307,197)
(1,256,135)	-	(1,256,135)
(1,187,603)	-	(1,187,603)
(1,612,932)	-	(1,612,932)
(425,774)	-	(425,774)
(424,274)	-	(424,274)
(26,460)	-	(26,460)
<u>(13,623,573)</u>	<u>-</u>	<u>(13,623,573)</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(13,623,573)</u>	<u>-</u>	<u>(13,623,573)</u>
6,513,534	-	6,513,534
7,159,813	-	7,159,813
(6,475)	-	(6,475)
<u>13,666,872</u>	<u>-</u>	<u>13,666,872</u>
43,299	-	43,299
<u>(3,365,398)</u>	<u>47,425</u>	<u>(3,317,973)</u>
\$ <u>(3,322,099)</u>	\$ <u>47,425</u>	\$ <u>(3,274,674)</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 5,826,304	\$ 117,590	\$ 5,943,894
Receivables:			
Accounts	180,938	223,480	404,418
Due from other governments	1,536,761	-	1,536,761
Inventories	110,961	-	110,961
Prepays	187,931	-	187,931
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ 7,842,895	\$ 341,070	\$ 8,183,965
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,027,571	\$ 65,200	\$ 1,092,771
Bank overdraft	-	88,912	88,912
Salaries and benefits payable	3,088,804	120,076	3,208,880
Advances from grantors	7,392	-	7,392
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	4,123,767	274,188	4,397,955
Fund balances:			
Nonspendable:			
Inventories	110,961	-	110,961
Prepays	187,931	-	187,931
Restricted for:			
Special education instruction	-	66,882	66,882
Categorical funding	123,117	-	123,117
Encumbrances	20,582	-	20,582
Assigned:			
Albia parking lot	90,000	-	90,000
Carpet	120,750	-	120,750
Farfield conference room	65,000	-	65,000
Alley replacement	90,000	-	90,000
Rooftop units	126,000	-	126,000
Unassigned	2,784,787	-	2,784,787
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	3,719,128	66,882	3,786,010
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,842,895	\$ 341,070	\$ 8,183,965



## GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

TOTAL GOVERNMENTAL FUND BALANCES \$ 3,786,010

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$ 14,078,125 and the accumulated depreciation is \$ 10,732,118. 3,346,007

Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 1,898,058	
Deferred inflows of resources	<u>(1,229,217)</u>	668,841

Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded in the governmental funds. 301,162

Long-term liabilities, including certificates of participation and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (11,424,119)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,322,099)

GREAT PRAIRIE AREA EDUCATION AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 7,002,668	\$ 406,864	\$ 7,409,532
State sources	8,853,747	349,103	9,202,850
Federal sources	9,067,027	-	9,067,027
Total revenues	<u>24,923,442</u>	<u>755,967</u>	<u>25,679,409</u>
Expenditures:			
Current:			
Instruction	-	751,096	751,096
Student support services	18,757,750	-	18,757,750
Media services	1,771,214	-	1,771,214
General administration	1,201,464	-	1,201,464
Educational services	2,702,694	-	2,702,694
Plant operations and maintenance	466,025	-	466,025
Central and other support services	443,516	-	443,516
Debt service	-	206,460	206,460
Total expenditures	<u>25,342,663</u>	<u>957,556</u>	<u>26,300,219</u>
Deficiency of revenues under expenditures	<u>(419,221)</u>	<u>(201,589)</u>	<u>(620,810)</u>
Other financing sources (uses):			
Transfers in	8,872	206,460	215,332
Transfers out	<u>(206,460)</u>	<u>(8,872)</u>	<u>(215,332)</u>
Total other financing sources (uses)	<u>(197,588)</u>	<u>197,588</u>	<u>-</u>
Change in fund balances	(616,809)	(4,001)	(620,810)
Fund balances beginning of year, as restated	<u>4,335,937</u>	<u>70,883</u>	<u>4,406,820</u>
Fund balances end of year	\$ <u>3,719,128</u>	\$ <u>66,882</u>	\$ <u>3,786,010</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (620,810)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Governmental funds report the selling price of capital assets disposed while governmental activities report gains and losses on the disposal of capital assets. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 354,422	
Depreciation expense	(463,968)	
Loss on disposal of capital assets	<u>(6,475)</u>	(116,021)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

180,000

The current year Agency employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

1,435,097

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	(6,907)	
Pension expense	(831,378)	
Compensated absences	<u>3,318</u>	<u>(834,967)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 43,299

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	<u>Enterprise</u>
	<u>Cooperative</u>
	<u>Purchasing</u>
<u>ASSETS:</u>	
Current assets:	
Cash, cash equivalents and pooled investments	\$     47,425
Due from other governments	1,080
Total assets	<u>          48,505</u>
<u>LIABILITIES:</u>	
Accounts payable	<u>          1,080</u>
<u>NET POSITION:</u>	
Unrestricted	\$ <u>47,425</u>

GREAT PRAIRIE AREA EDUCATION AGENCYSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	<u>Enterprise</u>
	<u>Cooperative</u>
	<u>Purchasing</u>
Operating revenues:	
Charges for service	\$ <u>20,871</u>
Operating expenses:	
Non-instructional programs:	
Purchased services	<u>20,871</u>
Operating income	
Net position beginning of year	<u>47,425</u>
Net position end of year	\$ <u>47,425</u>

GREAT PRAIRIE AREA EDUCATION AGENCYSTATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	<u>Enterprise</u>
	<u>Cooperative</u>
	<u>Purchasing</u>
Cash flows from operating activities:	
Cash received from customers	\$ 20,871
Cash paid to suppliers	<u>(20,871)</u>
Net cash provided by operating activities	-
Cash, cash equivalents and pooled investments, beginning of year	<u>47,425</u>
Cash, cash equivalents and pooled investments, end of year	\$ <u>47,425</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Prairie Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 40 school districts and private schools in a fourteen-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### Reporting Entity

For financial reporting purposes, Great Prairie Area Education Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. Great Prairie Area Education Agency has no component units which meet the Governmental Accounting Standards Board criteria.

##### Basis of Presentation

Government-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often is subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental fund:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balances and then from, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Enterprise Fund is charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

Cash, Cash Equivalents and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Furniture and equipment	300
Library books and films	300

Capital assets of the Agency are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5
Library books and films	5

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the Agency but will be spent in a succeeding fiscal year.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Directors intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (Continued)

At June 30, 2016, the Agency had investments in the Iowa Schools Joint Investment Trust (ISJIT) Diversified Portfolio which are valued at an amortized cost of \$5,861 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 347,760	\$ -	\$ -	\$ 347,760
Capital assets being depreciated:				
Buildings	2,836,169	-	-	2,836,169
Improvements other than buildings	2,725,997	-	-	2,725,997
Furniture and equipment	6,136,189	332,767	220,199	6,248,757
Library books and films	<u>1,899,503</u>	<u>21,655</u>	<u>1,716</u>	<u>1,919,442</u>
Total capital assets being depreciated	<u>13,597,858</u>	<u>354,422</u>	<u>221,915</u>	<u>13,730,365</u>
Less accumulated depreciation for:				
Buildings	1,040,740	56,724	-	1,097,464
Improvements other than buildings	1,974,755	91,030	-	2,065,785
Furniture and equipment	5,687,822	252,312	213,724	5,726,410
Library books and films	<u>1,780,273</u>	<u>63,902</u>	<u>1,716</u>	<u>1,842,459</u>
Total accumulated depreciation	<u>10,483,590</u>	<u>463,968</u>	<u>215,440</u>	<u>10,732,118</u>
 Total capital assets being depreciated, net	 <u>3,114,268</u>	 <u>(109,546)</u>	 <u>6,475</u>	 <u>2,998,247</u>
Governmental activities capital assets, net	\$ <u>3,462,028</u>	\$ <u>(109,546)</u>	\$ <u>6,475</u>	\$ <u>3,346,007</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 296,065
Media services and instruction	91,877
General administration	18,976
Educational services	42,686
Plant operations and maintenance	7,360
Central and other support services	<u>7,004</u>
Total depreciation expense - Governmental activities	\$ <u>463,968</u>

# GREAT PRAIRIE AREA EDUCATION AGENCY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### NOTE 4: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Certificates of participation	\$ 575,000	\$ -	\$ 180,000	\$ 395,000	\$ 195,000
Net pension liability	9,041,200	1,815,932	-	10,857,132	-
Compensated absences	175,305	171,987	175,305	171,987	171,987
Total	\$ <u>9,791,505</u>	\$ <u>1,987,919</u>	\$ <u>355,305</u>	\$ <u>11,424,119</u>	\$ <u>366,987</u>

#### Certificates of Participation

The Agency sold certificates of participation for land and facilities for a total of \$5,650,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 10 years with an interest rate of 4.08%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 195,000	\$ 16,116	\$ 211,116
2018	<u>200,000</u>	<u>8,160</u>	<u>208,160</u>
Total	\$ <u>395,000</u>	\$ <u>24,276</u>	\$ <u>419,276</u>

Payments on the certificates of participation for the year ended June 30, 2016, including interest, totaled \$203,460.

### NOTE 5: PENSION PLAN

**Plan Description** – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report that is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

**NOTE 5: PENSION PLAN (Continued)**

Pension Benefits (Continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the Agency contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2016 totaled \$1,435,097.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Agency reported a liability of \$10,857,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's proportion was 0.218390 percent, which was a decrease of 0.005010 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$831,378. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 164,037	\$ -
Changes of assumptions	298,924	-
Net difference between projected and actual earnings on IPERS' investments	-	903,598
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	-	325,619
Agency contributions subsequent to the measurement date	<u>1,435,097</u>	<u>-</u>
Total	\$ <u>1,898,058</u>	\$ <u>1,229,217</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5: PENSION PLAN (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,435,097 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>		
2017	\$	(385,967)
2018		(385,967)
2019		(385,967)
2020		399,241
2021		(7,596)
	\$	<u>(766,256)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100</u> %	

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

**NOTE 5: PENSION PLAN** (Continued)

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$ 19,008,885	\$ 10,857,132	\$ 3,976,468

**IPERS Fiduciary Net Position** – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the IPERS** – At June 30, 2016, the Agency reported payables to IPERS of \$136,935 for legally required Agency contributions and \$91,239 for legally required employee contributions withheld from employee wages but not yet remitted to IPERS.

**NOTE 6: RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7: MAJOR REVENUE SOURCE**

The Agency receives the majority of its funding from grants with the State of Iowa and the Federal government. The majority of the Agency's funding is accomplished through a reimbursement system. The Agency incurs the expense, pays for the expense, submits a reimbursement voucher to the appropriate agency and is reimbursed for the expense.

**NOTE 8: OPERATING LEASES**

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases have various expiration dates. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: OPERATING LEASES (Continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016.

Year Ending  
June 30,

2017	\$	<u>15,000</u>
------	----	---------------

The total rental expenditures for the year ended June 30, 2016, for all operating leases, except those with terms of a month or less that were not renewed, were \$37,515.

NOTE 9: LITIGATION

The Agency is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Agency's results of operations. The Agency's insurance policy covers most of these items and therefore, no liability has been recorded in these financial statements.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical benefits for employees, retirees and, if elected, their spouses. There are 121 active and 34 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation (asset):

Annual required contribution	\$	173,528
Interest on net OPEB obligation		(3,081)
Adjustment to annual required contribution		<u>1,671</u>
Annual OPEB cost		172,118
Contributions made		<u>165,211</u>
Increase in net OPEB cost		6,907
Net OPEB asset beginning of year		<u>(308,069)</u>
Net OPEB asset end of year	\$	<u>(301,162)</u>

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end of year net OPEB asset was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.



GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended June 30, 2016, plan members eligible for benefits contributed \$165,211 or 100 percent of the premium costs.

Agency's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB asset are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
2014	\$ <u>145,916</u>	164.6%	\$ <u>(337,344)</u>
2015	\$ <u>194,486</u>	85.0%	\$ <u>(308,069)</u>
2016	\$ <u>172,118</u>	96.0%	\$ <u>(301,162)</u>

**Funded Status and Funding Progress** – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,598,472 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,598,472. The covered payroll (annual payroll of active employees covered by the plan) was \$9,096,485 and the ratio of the UAAL to covered payroll was 17.57 percent. As of June 30, 2016, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1 percent discount rate based on the Agency's funding policy. The projected annual medical trend rate is 9 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced .5 percent each year until reaching the 5 percent ultimate trend rate. An inflation rate of 3 percent is assumed for the purpose of this computation.

Mortality rates are developed by the Society of Actuaries. Annual retirement and termination probabilities were developed from the retirement probabilities from recent Great Prairie AEA School District experience and applying the termination factors based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$676 (\$1,689 family) per month. The salary increase rate was assumed to be 0 percent per year. The UAAL is being amortized as a level dollar amount over 15 years.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>		
	Special Revenue:		
General	Special Education Instruction	\$	8,872
Debt Service	General		<u>206,460</u>
		\$	<u>215,332</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 12: DEFICIT BALANCE

The Agency had a governmental activities deficit net position balance of \$3,322,099 at June 30, 2016 primarily due to the net pension liability.

NOTE 13: RESTATEMENT

During the year ended June 30, 2016, it was determined compensated absences were mistakenly included in the fund financial statements at June 30, 2015.

General fund balance June 30, 2015, as previously reported	\$	4,160,632
Adjustments to compensated absences		<u>175,305</u>
General fund balance June 30, 2015, as restated	\$	<u>4,335,937</u>

NOTE 14: NEW ACCOUNTING PRONOUNCEMENT

The Agency adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

NOTE 15: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2015, have been reclassified to conform with the June 30, 2016 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 7,409,532	\$ 20,871	\$ 7,430,403
State sources	9,202,850	-	9,202,850
Federal sources	9,067,027	-	9,067,027
Total revenues	<u>25,679,409</u>	<u>20,871</u>	<u>25,700,280</u>
Expenditures/Expenses:			
Current:			
Instruction	751,096	-	751,096
Student support services	18,757,750	-	18,757,750
Media services	1,771,214	-	1,771,214
General administration	1,201,464	-	1,201,464
Educational services	2,702,694	-	2,702,694
Plant operations and maintenance	466,025	-	466,025
Central and other support services	443,516	-	443,516
Non instructional programs	-	20,871	20,871
Debt service	206,460	-	206,460
Total expenditures/expenses	<u>26,300,219</u>	<u>20,871</u>	<u>26,321,090</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(620,810)	-	(620,810)
Balance beginning of year, as restated	<u>4,406,820</u>	<u>47,425</u>	<u>4,454,245</u>
Balance end of year	\$ <u>3,786,010</u>	\$ <u>47,425</u>	\$ <u>3,833,435</u>

Budget		Final to Actual Variance
<u>Original</u>	<u>Final</u>	
\$ 8,313,283	\$ 7,511,061	\$ (80,658)
9,844,919	9,126,291	76,559
9,394,158	9,844,057	(777,030)
<u>27,552,360</u>	<u>26,481,409</u>	<u>(781,129)</u>
741,483	784,849	33,753
20,088,584	18,823,005	65,255
1,847,223	1,765,242	(5,972)
1,224,999	1,141,521	(59,943)
2,448,058	2,693,158	(9,536)
533,487	539,815	73,790
468,050	448,734	5,218
500,000	20,000	(871)
205,960	205,960	(500)
<u>28,057,844</u>	<u>26,422,284</u>	<u>101,194</u>
(505,484)	59,125	(679,935)
<u>3,792,068</u>	<u>4,278,941</u>	<u>175,304</u>
\$ <u>3,286,584</u>	\$ <u>4,338,066</u>	\$ <u>(504,631)</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2016, the Agency's expenditures/expenses did not exceed the approved budget.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.218390 %	0.223400 %
Agency's proportionate share of the net pension liability	\$ 10,857,132	\$ 9,041,200
Agency's covered-employee payroll	\$ 15,055,445	\$ 14,915,812
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11 %	60.61 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the proceeding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF AGENCY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 3 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,435,097	\$ 1,344,451	\$ 1,332,140
Contributions in relation to the statutorily required contribution	<u>1,435,097</u>	<u>1,344,451</u>	<u>1,332,140</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Agency's covered-employee payroll	\$ 16,070,511	\$ 15,055,445	\$ 14,915,812
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %	8.93 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.



GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008, transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>( a )</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>( b )</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>( b-a )</u>	<u>Funded</u> <u>Ratio</u> <u>( a/b )</u>	<u>Covered</u> <u>Payroll</u> <u>( c )</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>( (b-a)/c )</u>
2009	July 1, 2008	\$ -	\$ 1,540,114	\$ 1,540,114	0.00%	\$ 10,369,470	14.85%
2010	July 1, 2008	\$ -	\$ 1,540,114	\$ 1,540,114	0.00%	\$ 16,530,866	9.32%
2011	July 1, 2010	\$ -	\$ 1,353,485	\$ 1,353,485	0.00%	\$ 16,806,809	8.05%
2012	July 1, 2010	\$ -	\$ 1,353,485	\$ 1,353,485	0.00%	\$ 15,071,398	8.98%
2013	July 1, 2012	\$ -	\$ 2,004,843	\$ 2,004,843	0.00%	\$ 15,650,768	12.81%
2014	July 1, 2012	\$ -	\$ 2,004,843	\$ 2,004,843	0.00%	\$ 8,929,704	22.45%
2015	July 1, 2014	\$ -	\$ 1,598,472	\$ 1,598,472	0.00%	\$ 9,349,432	17.10%
2016	July 1, 2014	\$ -	\$ 1,598,472	\$ 1,598,472	0.00%	\$ 9,096,485	17.57%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB asset, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue		
	Special Education Instruction	Juvenile Home Education	Total
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$	\$ 117,590	\$ 117,590
Accounts receivable	<u>223,480</u>	<u>-</u>	<u>223,480</u>
TOTAL ASSETS	\$ <u>223,480</u>	\$ <u>117,590</u>	\$ <u>341,070</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 13	\$ 65,187	\$ 65,200
Bank overdraft	88,912	-	88,912
Salaries and benefits payable	<u>67,673</u>	<u>52,403</u>	<u>120,076</u>
Total liabilities	156,598	117,590	274,188
Fund balances:			
Restricted for:			
Special education instruction	<u>66,882</u>	<u>-</u>	<u>66,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>223,480</u>	\$ <u>117,590</u>	\$ <u>341,070</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>			
	<u>Special Education Instruction</u>	<u>Juvenile Home Education</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Local sources	\$ 406,705	\$ 159	\$ -	\$ 406,864
State sources	29,056	320,047	-	349,103
Total revenues	<u>435,761</u>	<u>320,206</u>	<u>-</u>	<u>755,967</u>
Expenditures:				
Current:				
Instruction	430,890	320,206	-	751,096
Debt service	-	-	206,460	206,460
Total expenditures	<u>430,890</u>	<u>320,206</u>	<u>206,460</u>	<u>957,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,871</u>	<u>-</u>	<u>(206,460)</u>	<u>(201,589)</u>
Other financing sources (uses):				
Transfers in	-	-	206,460	206,460
Transfers out	(8,872)	-	-	(8,872)
Total other financing sources (uses)	<u>(8,872)</u>	<u>-</u>	<u>206,460</u>	<u>197,588</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>(4,001)</u>	<u>-</u>	<u>-</u>	<u>(4,001)</u>
Fund balances beginning of year	<u>70,883</u>	<u>-</u>	<u>-</u>	<u>70,883</u>
Fund balances end of year	\$ <u>66,882</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>66,882</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis			
	Year Ended June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:				
Local	\$ 7,409,532	\$ 7,585,714	\$ 7,529,213	\$ 7,429,646
State	9,202,850	9,013,918	8,594,300	8,039,753
Federal	<u>9,067,027</u>	<u>9,407,019</u>	<u>9,248,318</u>	<u>9,683,577</u>
Total	\$ <u>25,679,409</u>	\$ <u>26,006,651</u>	\$ <u>25,371,831</u>	\$ <u>25,152,976</u>
Expenditures:				
Current:				
Instruction	\$ 751,096	\$ 693,121	\$ 689,881	\$ 731,486
Student support services	18,757,750	18,124,321	18,152,124	18,132,919
Media services	1,771,214	1,887,197	1,875,971	2,092,963
General administration	1,201,464	1,371,175	1,257,957	1,079,950
Educational services	2,702,694	2,466,086	2,366,252	2,087,109
Plant operations and maintenance	466,025	460,614	455,278	349,472
Central and other support services	443,516	350,357	439,175	413,167
Debt service	206,460	202,896	228,684	804,765
Facilities acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>26,300,219</u>	\$ <u>25,555,767</u>	\$ <u>25,465,322</u>	\$ <u>25,691,831</u>

SCHEDULE 3

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 7,290,029	\$ 7,133,840	\$ 7,131,224	\$ 7,066,266	\$ 7,215,058
7,907,237	9,659,084	8,706,614	9,540,916	8,848,117
<u>10,047,680</u>	<u>11,743,897</u>	<u>17,052,704</u>	<u>10,961,195</u>	<u>9,959,860</u>
\$ <u>25,244,946</u>	\$ <u>28,536,821</u>	\$ <u>32,890,542</u>	\$ <u>27,568,377</u>	\$ <u>26,023,035</u>
\$ 671,726	\$ 761,559	\$ 659,681	\$ 658,425	\$ 714,252
18,744,872	19,911,931	24,135,151	20,431,684	18,738,308
1,824,622	1,830,424	1,850,802	1,887,759	1,839,742
1,047,223	1,102,982	1,012,589	1,041,633	1,077,202
2,363,753	3,147,885	3,279,222	2,565,832	2,356,146
308,286	333,459	316,868	330,574	339,082
409,765	397,659	346,287	390,100	368,189
515,034	539,237	383,660	372,108	607,189
<u>185,517</u>	<u>515,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>26,070,798</u>	\$ <u>28,540,841</u>	\$ <u>31,984,260</u>	\$ <u>27,678,115</u>	\$ <u>26,040,110</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Project Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Education:			
Iowa Department of Education:			
Special Education Cluster (IDEA):	84.027		
Special Education - Grants to States:			
Handicapped Preschool Program		1516-15	\$ 6,370,550
Handicapped Preschool Program (Lea Flowthrough)		6KB2-15	1,761,126
Parent Educator		5K74-15	115,723
Speech Language Leadership		048515	6,027
Students Significant Disabilities		047215	3,325
Hearing State Leadership		046916	724
Summer Special Ed Symposium		043516	1,904
Early Literacy Alternate Assessment		047516	400
			<u>8,259,779</u>
Special Education - Preschool Grants:			
Section 619 Ages 3-5	84.173	15619-15	359,694
IQPPS System Support	84.173	Q16-015	32,104
			<u>8,651,577</u>
Special Education - Grants for Infants and Families:			
Part C Infants and Toddlers	84.181	5KC3-15	<u>236,639</u>
English Language Acquisition State Grants:			
Title III ELL/LEP	84.365	16ELA-09	<u>163,158</u>
Total			\$ <u>9,051,374</u>



GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Great Prairie Area Education Agency under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Great Prairie Area Education Agency, it is not intended to and does not present the financial position, changes in financial position or cash flows of Great Prairie Area Education Agency.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Great Prairie Area Education Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the elected officials of Great Prairie Area Education Agency;

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Great Prairie Area Education Agency's basic financial statements and have issued our report thereon dated January 20, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Great Prairie Area Education Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Prairie Area Education Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 16-II-A that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Great Prairie Area Education Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Great Prairie Area Education Agency's Response to Findings**

Great Prairie Area Education Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Great Prairie Area Education Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great Prairie Area Education Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa  
January 20, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of Great Prairie Area Education Agency

**Report on Compliance for the Major Federal Program**

We have audited Great Prairie Area Education Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Great Prairie Area Education Agency's major federal program for the year ended June 30, 2016. Great Prairie Area Education Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Great Prairie Area Education Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Great Prairie Area Education Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Great Prairie Area Education Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Great Prairie Area Education Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

## **Report on Internal Control over Compliance**

Management of Great Prairie Area Education Agency, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Great Prairie Area Education Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education Agency's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa  
January 20, 2017

GREAT PRAIRIE AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

Part I: Summary of the Independent Auditor's Results:

- a. Unmodified opinions were issued on the financial statements.
- b. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- g. The major program was the Special Education Cluster (IDEA)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Great Prairie Area Education Agency qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 16-II-A Employee Handbook – The Agency's employee handbook is available on-line. There is no requirement that new employees have to show that they read the handbook.

Recommendations – We recommend that the Agency have new employees show they have read the handbook by signing a release to be filed in their personnel file.

Response – The Agency will look into implementing a policy.

Conclusion – Response accepted.

Instances of Non-compliance – No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-compliance – No matters were noted.

Internal Control Deficiencies – No matters were noted.

GREAT PRAIRIE AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

- 16-IV-A Certified Budget – Expenditures during the year ended June 30, 2016 did not exceed the amounts budgeted.
- 16-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 16-IV-C Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 16-IV-D Business Transactions – No business transactions between Great Prairie Area Education Agency and Agency officials or employees were noted.
- 16-IV-E Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 16-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 16-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 16-IV-H Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- 16-IV-I Categorical Funding – No instances of categorical funding used to supplant rather than supplement other funds were noted.
- 16-IV-J Financial Condition – The Agency's governmental activities has a deficit net position of \$3,322,099 at June 30, 2016.

Recommendation – The Agency should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The deficit was the result of recognizing the Agency's proportionate share of IPERS' net pension liability. The Agency realizes this liability is not due and payable immediately. Rather, the pension liability will be paid down over a period of time with the Agency's future employer share of IPERS contributions.

Conclusion – Response accepted.